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Title: State to get \$124 million from N.C. tobacco ruling

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Lead:

Kentucky's coffers will grow by about \$124 million thanks to a ruling Friday in North Carolina that ordered cigarette makers to make \$424 million in payments to tobacco growers in 14 states.

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Kentucky's coffers will grow by about \$124 million thanks to a ruling Friday in North Carolina that ordered cigarette makers to make \$424 million in payments to tobacco growers in 14 states. The ruling stemmed from the refusal of cigarette makers to make final payments required by a 1998 lawsuit settlement with states' attorneys general. It reversed the decision of a lower court judge who sided with cigarette companies when finding that the tobacco-quota buyout approved by Congress last year ended the companies' obligation to make the payments.

The ruling by the North Carolina Supreme Court means little to Kentucky tobacco farmers, who should have already received the buyout payments after state lawmakers set aside funds to make those payments.

What the ruling does mean is that the state government will get reimbursed for those payments.

"That's great news," state Rep. Jim DeCesare said Friday.

DeCesare, R-Bowling Green, said he really had been expecting the ruling to go the state's way.

"I'm not surprised ... first of all for political reasons," he said. "Just like our supreme court justices, they are elected and there would have been a lot of pressure by their own farmers to uphold those payments. Secondly because the company owed those payments - bottom line."

DeCesare said the legislature agreed if the North Carolina court upheld the payments the money would be used to pay back the more than \$114 million in bonds sold to make payments to farmers.

Farmers should already have those payments in hand, but if not they can call their state

lawmakers, who will help them sort through any problems, he said.

Kentucky Attorney General Greg Stumbo said in a news release that his office helped to fight the lower court ruling and was "proud" of its victory.

"The interest and penalties will increase the overdue payments to at least \$124 million, which is \$10 million more than the Kentucky General Assembly distributed to farmers," he said.

The payments stem from a \$206 billion settlement of anti-smoking lawsuits filed by 46 states against the cigarette makers. Major tobacco companies agreed to pay tobacco growers and quota-holders \$5.1 billion over 12 years. The payments could be altered, however, in the event of a tobacco buyout.

In December, North Carolina Business Court Judge Ben Tennille ruled the companies did not have to make a final, \$106 million payment to growers for 2004, and should receive a refund of other payments - about \$318 million - put into trust funds earlier that year for later distribution.

An agreement between the 14 states and the companies gave legal jurisdiction to courts in North Carolina. The state supreme court ruled the federal buyout legislation did not remove the tobacco company's obligation to make the 2004 payments because the tobacco buyout was not effective until 2005.

- The Associated Press contributed information for this article.

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